

MANTSOPA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE 2010

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INDEX

	<u>PAGE</u>
General information	1
Approval	2
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes in Net Assets	5
Cash Flow Statement	6
Accounting Policies	7
Notes to the Annual Financial Statements	18

APPENDIX

A	Analysis of Property, Plant and equipment	32
B	Segmental Analysis of Property, Plant and Equipment	33
C	Segmental Statement of Financial Performance	34
D (1)	Actual versus Budget (Revenue and Expenditure)	35
D (2)	Actual versus Budget (Acquisition of Property, Plant and Equipment)	36
E	Disclosure of Grants and Subsidies in Terms of the Municipal Finance Management Act	37
F	Schedule of External Loans	38

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

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DISTRICT MUNICIPALITY	:	Motheo District Municipality
MEMBERS OF COUNCIL -		Clr S D Ntsepe (Mayor) Clr M A Majara (Speaker) Clr H P Olivier (Member of Exco) Clr K Tsoene (Member of Exco) Clr M C Chomane Clr P N Nakalebe Clr P van Vollenhoven Clr P P Raboko Clr M E Ncwada Clr L P Moletsane Clr T W Litabe Clr T H Molukanele Clr S E Tlali Clr M P Motaung Clr M A Malakane Clr J E van der Westhuizen
MUNICIPAL MANAGER	:	C L M Rampai
CHIEF FINANCIAL OFFICER	:	J Mazinyo
AUDITORS	:	The Auditor-General
BANKERS	:	Current Accounts: ABSA - 2020000050 FNB - 62054009751

MANTSOPA LOCAL MUNICIPALITY***APPROVAL OF ANNUAL FINANCIAL STATEMENTS ENDED 30 JUNE 2010***

The annual financial statements set out on pages 3 to 40 were approved by the Municipal Manager in terms of Section 126(1) of the Municipal Finance Management Act 2003 and will be presented to Council for approval on 31 August 2010.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 15 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....
MUNICIPAL MANAGER

.....
DATE

.....
CHIEF FINANCIAL OFFICER

.....
DATE

MANTSOPA LOCAL MUNICIPALITY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Reserves		461 818 721	46 671 576
Reserves	1	403 723 300	440 551
Accumulated Surplus/(Deficit)		58 095 421	46 231 025
Non-current liabilities		3 665 678	4 561 157
Long - term liabilities	2	3 665 678	4 561 157
Current liabilities		19 016 718	21 256 894
Consumer deposits	3	1 138 314	1 037 245
Accrual leave	15	3 420 424	2 542 833
Trade Payables	4	8 503 898	5 953 969
Unspent conditional grants and receipts	5	1 390 991	5 634 219
Current portion of long-term liabilities	2	773 751	701 104
Bank overdraft	14	3 789 340	5 387 524
Total net assets and liabilities		484 501 117	72 489 627
Assets			
Non-current assets		408 775 432	5 505 274
Property, plant and equipment	7	342 072 901	5 262 262
Investment property		66 472 108	-
Long term receivables	12	230 424	243 012
Current assets		75 725 685	66 984 354
Inventory	9	436 424	332 228
Consumer receivables	10	68 773 696	47 745 401
Other receivables	11	4 248 332	12 614 101
Current portion of longterm receivables	12	12 589	-
Investments	8	2 009 783	5 586 777
Bank and cash	13+14	244 861	705 847
Total assets		484 501 117	72 489 627

MANTSOPA LOCAL MUNICIPALITY STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
Revenue			
Property rates	16	10 091 863	8 900 767
Services charges	17	52 364 759	43 326 405
Investment Income		848 707	936 064
Interest earned - external investments		731 756	1 854 344
Interest earned - outstanding debtors		8 658 935	7 694 025
Fines		147 851	135 058
Dividends received		433	14 625
Licenses and permits		2 716	1 736
Government grants and subsidies	18	44 550 377	62 699 361
Other income	19	18 077 186	2 259 403
Gains on disposal of Property ,plant & equipment		1 119 217	-
Total Revenue		136 593 798	127 821 788
EXPENDITURE			
Employee related costs	20	39 701 111	32 720 130
Remuneration of Councillors	20	3 638 457	3 401 902
Bad debts Provision	10	6 516 855	10 146 541
Bad debts written off		11 482	-
Depreciation		-	-
Repairs and maintenance		8 653 701	5 630 467
Interest paid	22	786 639	1 640 447
Operating Lease		973 256	
Bulk purchases		14 228 130	12 231 069
Indigent support		18 131 565	2 588 755
General expenses		40 002 861	40 869 159
Leave Accrual		1 136 644	100 034
Loss on disposal of property, plant and equipment		-	-
Total Expenditure		133 780 702	109 328 504
Profit/ (Loss) on fair value adjustment		-	(5 085 889)
Inventories: Write-down of obsolete stock		-	(3 526)
SURPLUS/(DEFICIT) FOR THE YEAR		2 813 097	13 403 869
Refer to Appendix D(1) for the comparison with the approved budget			

MANTSOPA LOCAL MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
Opening Surplus / (Deficit) as at 1 July 2009		46 231 078	28 270 218
Net surplus for the Current Year	35	2 813 097	13 403 869
Prior Year Adjustments		11 993 670	4 556 992
Grap Adjustments made		-	-
Adjust amount between Debtor registers and ledger according to reconciliati	38	549 550	-
Adjust amount between Cashbook and ledger according to reconciliation	38	(1 893 332)	-
Adjust Ledger amount on Previous provisions made under Sundry debtors	38	(1 598 642)	-
Accumulated Surplus (deficit) at 30 June 2010		58 095 421	46 231 079

MANTSOPA LOCAL MUNICIPALITY CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others	33	123 311 633	111 452 995
Cash paid to suppliers and employees	34	(94 372 286)	(130 565 631)
Cash generated from / (required by) operating activities	35	28 939 349	(19 112 636)
Previous year corrections		(1 893 332)	-
Interest received		731 756	1 854 344
Interest paid		(786 639)	(850 737)
Dividends received		433	14 625
NET CASH FROM OPERATING ACTIVITIES		26 991 566	(18 094 404)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(28 605 425)	24 572 869
Decrease in non-current receivables		-	-
NET CASH FROM INVESTING ACTIVITIES		(28 605 425)	24 572 869
CASH FLOWS FROM FINANCING ACTIVITIES			
(Increase) /Decrease in Investments		3 576 994	(6 683 869)
Increase / (Decrease) in Loans		(773 751)	(789 710)
NET CASH FROM FINANCING ACTIVITIES		2 803 243	(7 473 579)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		1 189 384	(995 114)
Cash and cash equivalents at the beginning of the year		(4 681 677)	(3 666 758)
Cash and cash equivalents at the end of the year	33	(3 544 480)	(4 681 677)

1 PRINCIPAL ACCOUNTING POLICIES**1.1 BASIS OF PREPARATION**

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Board.

In accordance with directive 4, advantages is taken of the following: The fact that the entity has taken advantages of the transitional provisions; the calasses of assets and/or liabilities that have not been measured in accordance with the applicable Standards of GRAP; the nature and amount of any measurement period adjustments recognised during the period, and; it has been started to revauated and breakdown some of the assets according to the Standards of GRAP.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 23 Revenue from Non-Exchange Transactions - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 103 Heritage Assets - issued July 2008

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board, the Municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 - Inventories;

GRAP 13 - Leases;

GRAP 16 - Investment Property;

GRAP 17 - Property, plant and equipment;

GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets;

GRAP 100 - Non-current Assets Held for sale and Discontinued Operations; and

GRAP 102 - Intangible assets

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2 PROPERTY, PLANT AND EQUIPMENT (continued)

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Depreciation is calculated on the cost or revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that useful life.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure

Roads and Paving
Electricity
Water
Sewerage

Heritage assets

Buildings
Paintings and artifacts

Other

Furniture and fittings
Specialised Vehicles
Other vehicles
Buildings
office Equipment
Watercraft
Bins and Containers

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.6 INVESTMENT PROPERTY

Investment property consist of Municipal flats, houses and farms held to earn rentals and capital appreciation or a combination of the two sources of increase in net assets of the municipality. Investment property is stated at fair value determined in the statement of financial position. In April 2008, an independant sworn appraiser based on market evidence of the most recent prices achieved in arms lenght transactions of similar properties in the same year.

3 INTANGIBLE ASSETS**3.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated

Computer software

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVENTORIES

4.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

4.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

5 FINANCIAL INSTRUMENTS**5.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

5.1.1 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.1.2 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

5.1.3 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

5.1.4 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

5.1.5 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

5.2 SUBSEQUENT MEASUREMENT**5.2.1 CASH AND CASH EQUIVALENTS (continued)**

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

5.2.2 AVAILABLE FOR SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivatives that are either designated in this category or do not meet the classification criteria of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after financial year end.

Available-for-sale financial assets are subsequently carried at fair value, or carried at cost if fair value cannot be determined reliably (e.g. no active market or lack of reliable fair values). Changes in the fair value of monetary and nonmonetary securities classified as available-for-sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

5.2.3 UNSPENT CONDITIONAL GRANTS

Unspent conditional are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the general public.

6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial

7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

10 LEASES

10.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

11 REVENUE

11.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

11 REVENUE**11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

12 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

13 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

14 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
1 RESERVES		
Statutory Reserve	1 375 540	-
Devaluation reserves	357 158 310	-
Distributable reserves		
Capital Replacement Reserve	31 065 338	-
Housing Development Fund	14 124 113	-
Housing Development Fund	-	440 551
Total Reserves	403 723 300	440 551
2 LONG TERM LIABILITIES		
External loans	4 439 430	5 262 261
Less: Current portion transferred to current liabilities	(773 751)	(701 104)
Total External Loans	3 665 678	4 561 157
Refer to Appendix F for more detail on long-term liabilities.		
3 CONSUMER DEPOSITS		
Electricity	1 138 314	1 037 245
	1 138 314	1 037 245
No guarantees are kept in lieu of electricity deposits.		
4 PAYABLES		
Trade Payables	85 318	5 953 969
Capital Payables	4 118 379	
Sundry Payables	579 717	-
Payments received in advance	2 416 743	-
VAT Payable	1 303 741	-
Total Creditors	8 503 898	5 953 969
5 UNSPENT CONDITIONAL GRANTS AND SUBSIDIES	1 390 991	5 634 219
Total Conditional Grants and Receipts	1 390 991	5 634 219
All the conditional grants, except MIG funds, were fully spent at the end of the financial year. See note 18.2.		
6 VAT		
VAT payable/(receivable)	1 303 741	-
VAT is payable on the payment basis. Once payment is received from debtors,		
VAT is paid over to SARS.		

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7	PROPERTY, PLANT AND EQUIPMENT	2010	2009
		R	R
	Land and Buildings	Other Assets	Total
	R	R	R
30 June 2009			
Cost	16 680 729	251 519 142	268 199 871
Accumulated depreciation	-	-	-
Carrying value	16 680 729	251 519 142	268 199 871
Less: loans repaid	-	(262 937 609)	(262 937 609)
Additions	-	-	-
Depreciation	-	-	-
Write-offs	-	-	-
Carrying value 30 June 2009	16 680 729	(11 418 467)	5 262 262
30 June 2010			
Cost	16 680 729	(11 418 467)	5 262 262
Accumulated depreciation	-	-	-
Carrying value	16 680 729	(11 418 467)	5 262 262
Additions	110 000	11 125 129	11 235 129
Depreciation	-	-	-
Add back: Loans repaid	-	262 937 609	262 937 609
Correction of error	104 402 512	26 901 629	131 304 141
Write-offs	-	(2 194 132)	(2 194 132)
Carrying value 30 June 2010	121 193 241	287 351 768	408 545 008
SURPLUS FOR THE YEAR			
The surplus for the year has been calculated after taking into account the following.			
a) Rental income received from investment property: R777 329			
b) Repairs and maintenance investment property: R244 605			
7 INVESTMENT PROPERTY.			
The closing balance at fair value (Valuation Roll): R66472108			
Revaluations were used only for land and buildings, as per valuation roll effective since 01 July 2010, done by JV Valuers			
8 INVESTMENTS			
Listed			
Old Mutual Shares	50 625	50 625	
Total Listed	50 625	50 625	
Unlisted			
Cost	731 530	544 424	
Total Unlisted	731 530	544 424	
Financial Instruments			
Short-term Investments	1 227 627	4 991 728	
Total Cash Investments	1 227 627	4 991 728	
Total Investments	2 009 783	5 586 777	
Fixed deposits are for periods which are less than 12 months but greater than three months.			
Council's Valuation of Unlisted Investments			
Cost	731 530	544 424	
9 INVENTORY			
Consumable stores – at cost	379 838	271 955	
Livestock	-	3 687	
Water	56 586	56 586	
Total Inventory	436 424	332 228	

	2010 R	2009 R	
10 CONSUMER RECEIVABLES			
	Gross balances	Provision for bad debts	Balance
As at 30 June 2009			
Service receivables			
Electricity	9 834 166	5 727 771	4 106 395
Water	5 671 288	5 225 635	445 653
Sewerage	26 217 826	7 704 006	18 513 820
Refuse	29 469 680	8 096 252	21 373 428
Rates	14 707 611	6 315 617	8 391 994
Fair Value Adjustment	-	-	(5 085 889)
Total	85 900 571	33 069 281	47 745 401
As at 30 June 2010			
Service receivables			
Electricity	7 575 954	6 347 940	1 228 014
Water	27 084 661	7 705 848	19 378 813
Sewerage	32 235 211	9 894 281	22 340 930
Refuse	15 302 332	9 322 450	5 979 882
Rates	11 442 451	6 315 617	5 126 834
Other Income	12 302 482	-	12 302 482
Total	105 943 090	39 586 136	66 356 954
Plus: accounts with credit balances			2 416 743
Total consumer receivables			68 773 696
Provisions for bad debts			6 516 855
Debtors Age Analysis			
Property Rates			
Current (0 – 30 days)		632 402	-
31 - 60 Days		394 041	-
61 - 90 Days		343 333	-
91 - 120 Days		305 153	-
121 - 365 Days		4 529 273	-
+ 365 Days		5 238 249	-
Total		11 442 451	-
Electricity			
Current (0 – 30 days)		1 149 708	-
31 - 60 Days		440 081	-
61 - 90 Days		333 323	-
91 - 120 Days		296 256	-
121 - 365 Days		1 551 129	-
+ 365 Days		3 805 457	-
Total		7 575 954	-
Water			
Current (0 – 30 days)		1 466 228	-
31 - 60 Days		960 522	-
61 - 90 Days		1 005 532	-
91 - 120 Days		893 712	-
121 - 365 Days		5 347 369	-
+ 365 Days		17 411 298	-
Total		27 084 661	-

	2010 R	2009 R
Debtors Age Analysis continued		
Sewerage		
Current (0 – 30 days)	1 101 288	-
31 - 60 Days	967 696	-
61 - 90 Days	953 645	-
91 - 120 Days	847 596	-
121 - 365 Days	6 401 736	-
+ 365 Days	21 963 249	-
Total	32 235 210	-
Refuse		
Current (0 – 30 days)	613 859	-
31 - 60 Days	490 321	-
61 - 90 Days	520 798	-
91 - 120 Days	462 798	-
121 - 365 Days	1 170 583	-
+ 365 Days	12 044 068	-
Total	15 302 427	-
Other		
Current (0 – 30 days)	100 104	-
31 - 60 Days	133 816	-
61 - 90 Days	117 825	-
91 - 120 Days	104 723	-
121 - 365 Days	857 372	-
+ 365 Days	10 988 642	-
Total	12 302 482	-

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
11 OTHER RECEIVABLES		
Sundry debtors	4 248 332	12 614 101
Total Other Debtors	<u>4 248 332</u>	<u>12 614 101</u>
12 LONG TERM RECEIVABLES		
Long Term Receivables	243 012	243 012
Less: Short term portion of long term receivables	12 589	-
Total Long Term Receivables	<u>230 424</u>	<u>243 012</u>
13 PETTY CASH		
Pettycash	1 500	1 500
Cash floats for cashiers	755	725
	<u>2 255</u>	<u>2 225</u>
14 Current Account (Primary Bank Account)		
ABSA Bank - Ladybrand branch		
Account number 2020000050		
Cash book balance at beginning of year - (overdrawn)	(5 387 524)	(27 361)
Cash book balance at end of year - (overdrawn)	<u>(3 789 340)</u>	<u>(5 387 524)</u>
Bank statement balance at beginning of year - (overdrawn)	7 481 572	2 059 307
Bank statement balance at end of year - (overdrawn)	<u>862 572</u>	<u>7 481 572</u>
FNB Bank Day cash - Ladybrand branch		
Account number 62054009751		
Cash book balance at beginning of year	703 622	-
Cash book balance at end of year	<u>242 606</u>	<u>703 622</u>
Bank statement balance at beginning of year - (overdrawn)	-	-
Bank statement balance at end of year - (overdrawn)	<u>195 126</u>	<u>-</u>
Total Bank	<u>(3 546 735)</u>	<u>(4 683 902)</u>
15 LEAVE ACCRUAL		
Leave Accrual	3 420 424	2 542 833
Total of Leave Accrual	<u>3 420 424</u>	<u>2 542 833</u>
16 PROPERTY RATES		
Actual		
Levies	10 091 863	8 900 767
Total Assessment Rates	<u>10 091 863</u>	<u>8 900 767</u>
Property Valuations		
Total Property Valuations	2764 203 516	-
Total Property Valuations	<u>2764 203 516</u>	<u>-</u>

	2010 R	2009 R
17 SERVICE CHARGES		
Sale of electricity	22 358 881	14 788 134
Sale of water	14 283 320	14 933 797
Other charges	15 722 557	13 604 474
Total Service Charges	52 364 759	43 326 405
18 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	41 065 377	32 944 712
Central government grants	3 485 000	29 754 649
Total Government Grant and Subsidies	44 550 377	62 699 361
18.1 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	41 065 377	32 944 712
Conditions met - transferred to revenue	(41 065 377)	(32 944 712)
	-	-
The Equitable Share is an unconditional grant and is utilised to assist the local municipalities undertake service delivery		
18.2 MIG		
Balance unspent at beginning of year	5 634 219	8 818 702
Current year receipts	10 842 000	17 584 000
Conditions met - transferred to revenue	(15 085 228)	(20 768 483)
Conditions still to be met - transferred to current liabilities (see note 5)	1 390 991	5 634 219
This grant was used for Bucket Eradication. No funds have been withheld.		
18.3 FMG		
Balance unspent at beginning of year	-	-
Current year receipts	2 750 000	1 250 000
Conditions met - transferred to revenue	(2 750 000)	(1 250 000)
Conditions still to be met - transferred to liabilities (see note 4)	-	-
The grant was used to promote and support reforms to financial management practices, including the modernisation of budgeting, financial management, accounting, monitoring systems and implementation of the Municipal Finance Management Act.		

	2010 R	2009 R
18.4 MSIG		
Balance unspent at beginning of year	2 000	-
Current year receipts	735 000	735 000
Conditions met - transferred to revenue	(737 000)	(733 000)
Conditions still to be met - transferred to liabilities (see note 4)	-	2 000
The fund is used to assist the local municipalities to perform the function and stabilise institutional and governance systems as required by the Municipal Systems Act of 2000.		
18.5 Environmental Health Subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	1 670 321	-
Conditions met - transferred to revenue	(1 670 321)	-
Conditions still to be met - transferred to liabilities (see note 4)	(0)	-
The Municipality renders Environmental Health services on behalf of Moteo District Council.		
18.6 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act of 2006), no significant changes in the level of government grant funding are expected over the forthcoming two financial years.		
UNSPENT CONDITIONAL GRANTS AND SUBSIDIES	1 390 991	5 634 219
Total Conditional Grants and Receipts	1 390 991	5 634 219
19 Bad Debt recovery		
Bad Debt recovery	-	36 049
Total	-	36 049

	2010 R	2009 R
20 EMPLOYEE RELATED COSTS		
Salaries	29 610 102	22 388 945
Contributions - UIF, Pension and Medical Aid Fund,	7 451 765	-
Housing Subsidies	88 807	130 758
Industrial Council Levies	8 171	-
Other Allowances	253 660	-
Overtime	3 338 385	3 492 739
Travel, Subsistence and Car Allowances	872 370	4 836 637
Long Service / Bonus awards	1 412 369	1 871 051
Skills development	303 939	-
Total Employee Related Costs	43 339 568	32 720 130
The above includes the following:		
Remuneration of the Municipal Manager		
Annual Remuneration	520 248	356 380
Performance and other Bonuses	35 437	252 667
Car Allowance	120 000	120 000
Contributions to UIF, Medical and Provident Funds	110 333	94 549
Total	786 018	823 596
Remuneration of the Manager Technical services		
Annual Remuneration	327 443	367 443
Performance and other Bonuses	27 287	20 403
Car Allowance	129 613	121 611
Contributions to UIF, Medical and Provident Funds	82 411	63 221
Total	566 754	572 678
Remuneration of the Chief Financial Officer		
Annual Remuneration	411 078	217 609
Performance and other Bonuses	34 256	135 428
Car Allowance	155 040	185 301
Contributions to UIF, Medical and Provident Funds	100 980	65 498
Total	701 354	603 836
Remuneration of the Head: Corporate Services		
Annual Remuneration	392 109	209 896
Performance and other Bonuses	32 676	165 373
Car Allowance	155 040	108 040
Contributions to UIF, Medical and Provident Funds	100 734	63 579
Total	680 559	546 888

	2010 R	2009 R
21 REMUNERATION OF COUNCILLORS		
Mayor's allowance	572 108	533 140
Speaker's allowance	461 105	441 261
Councillors' allowances	2 126 028	1 645 644
Executive Committee Members' allowances	479 216	781 857
Total Councillors' Remuneration	3 638 457	3 401 902
In kind benefits		
The Mayor and the Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has the use of a Council owned vehicle for official duties. The Mayor has one (1) full-time bodyguard, and one (1) driver.		
22 FINANCE COSTS		
Redemption Longterm liabilities	822 832	789 710
Interest Long term liabilities	786 639	850 737
Total Interest on External Borrowings	1 609 471	1 640 447
23 CHANGE IN ACCOUNTING POLICY		
Implementation of GAMAP/GRAP		
Transferred to Provision for bad debts	-	13 644 777
	-	13 644 777
24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT:		
<u>Contributions to Local Government Organisation</u>		
Opening balance	-	-
Current year's contribution	190 000	169 717
Amount paid - current year	-	146 603
Amount paid - previous years	(190 000)	310 195
Balance unpaid (included in creditors)	-	626 515
<u>Audit fees</u>		
Opening balance	-	-
Current year's contribution	2 703 922	2 075 453
Amount paid - current year	(2 703 922)	(2 075 453)
Balance unpaid (included in creditors)	0	-

	2010 R	2009 R
25 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE		
MANAGEMENT ACT: (continued)		
<u>VAT</u>		
Opening balance	(3 299 622)	-
Current year input VAT	(7 473 661)	-
Current year output VAT	3 963 324	-
Amount paid (received)	5 265 992	-
	<u>(1 543 966)</u>	<u>-</u>
<u>UIF</u>		
Opening balance	-	-
Current year payroll deductions	286 002	-
Amount paid - current year	(286 002)	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>PAYE</u>		
Opening balance	-	-
Current year payroll deductions	3 344 777	-
Amount paid - current year	(3 344 777)	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
Skills Development Levy		
Opening balance	-	-
Current year payroll deductions	303 939	-
Amount paid - current year	(303 939)	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>0</u>	<u>-</u>
<u>Pension and Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and council contributions	4 190 113	-
Amount paid - current year	(4 190 113)	-
Balance unpaid (included in creditors)	<u>0</u>	<u>-</u>
26 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for:	3 684 881	12 174 670
<i>Infrastructure</i>	1 683 381	12 174 670
<i>Community</i>	-	-
<i>Other</i>	2 001 500	-
Approved but not yet contracted for:	-	1 877 000
<i>Infrastructure</i>	-	-
<i>Community</i>	-	1 877 000
Total	3 684 881	12 174 670
This expenditure will be financed from:		
- Government Grants	1 390 991	12 174 670
- External resources	-	1 877 000
- Internal resources	2 293 890	-
	<u>3 684 881</u>	<u>14 051 670</u>

	2010 R	2009 R
27 RETIREMENT BENEFIT INFORMATION		
Employees of council belongs to different pension fund schemes. They are the Freestate Pension Fund, Freestate Provident Fund, Samwu Provident Fund, Councillors Pension Fund, Municipal employee's Pension Fund, Old Mutual Pension Fund, Sanlam group scheme, Orion and Federal Life.		
28 CONTINGENT LIABILITY		
COURT CASES (EMPLOYEE CLAIMS)		
D E NANA-UNFAIR DISMISSAL DATE LOGDED (6 OCTOBER 2009) DISMISSAL CASE AT CCMA-IN PROGRESS		
In terms of the definition, Possible obligation arise from past event (suspension/dismissal) and the existence of the obligation will only be confirmed at the occurrence of uncertain future events (judgment against or in favour of Mantsopa Municipality.		
TLADI MF-CONTRACT EXPIRED(09 DECEMBER 2009) DATE LODGED (CONTRACT DISPUTE- CASE AT HIGH COURT- IN PROGRESS		
In terms of the definition, Possible obligation arise from past event (contract expired) and the existence of the obligation will only be confirmed at the occurrence of uncertain future events (judgment against or in favour of Mantsopa Municipality. Disclose in the notes of financial statements		
KPJ CHOMANE- SUSPENSION (26 APRIL 2010) DATE LODGED (AWAITING DATE) DISMISSED- APPEAL TO CCMA		
In terms of the definition, Possible obligation arise from past event (Suspension) and the existence of the obligation will only be confirmed at the occurrence of uncertain future events (judgment against or in favour of Mantsopa Municipality.		
COURT CASES (CIVIL CLAIMS)		
IJ LUDICK DAMAGE TO CAR-DRAIN HOLE DATE LODGED(04 JUNE 2010) MATTER HANDED OVER TO COUNCIL ATTORNEYS-IN PROGRESS		
In terms of the definition, Possible obligation arise from past event (Damage to car-Drain hole) and the existence of the obligation will only be confirmed at the occurrence of uncertain future events (judgment against or in favour of Mantsopa Municipality.		
F CANEI DAMAGE TO CAR DATE LOGDED(10 JULY 2009) MATTER HANDED OVER TO COUNCIL ATTORNEYS-IN PROGRESS		
In terms of the definition, Possible obligation arise from past event (Damage Car-Bumbed roaming cow) the existence of the obligation will only be confirmed at the occurrence of uncertain future events and (judgment against or in favour of Mantsopa Municipality.		

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

SHAWU LOGDE
 ACCOMODATION
 DATE LOGGED(02 OCTOBER 2009)
 SHAWU NO LONGER WANTS TO PURSUE THE MATTER(09 JUNE 2010)

In terms of the definition, Possible obligation arise from past event (Accommodation) and the existence of the obligation will only be confirmed at the occurrence of uncertain future events (judgment against or in favour of Mantsopa Municipality.

29 CONTINGENT ASSET

No contingent assets are expected.

30 IN - KIND DONATION AND ASSISTANCE

The following In kind donations was received by Mantsopa Local Municipality during the year under review.

Soccer World Cup - GWM R3440.00
 Soccer World Cup - MTN Foundation R2451.20
 Soccer World Cup - MTN Foundation R2451.20
 Soccer World Cup - QZK Lenzim R700.00
 Soccer World Cup - MTN Mobile R2451.20
 Soccer World Cup - MTN Mobile R33704.00

31 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures D (1) and D (2).

32 EVENTS AFTER BALANCE SHEET DATE

There were no events after balance sheet date.

33 CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT

Total revenue	136 593 798	127 821 788
Adjusted for items presented separately:	-	
Interest received on investments	(731 756)	(1 854 344)
Dividends received	(433)	(14 625)
Bad debts written off	11 482	-
Proceeds from sale of assets	-	(847 187)
Adjusted for changes in working capital:		
(Increase)/decrease in Sundry Debtors	8 365 768	-
Increase/(Decrease) in Consumer deposits	101 069	-
(Increase)/decrease in other debtors	(21 028 295)	(13 652 637)
	<u>123 311 633</u>	<u>111 452 995</u>

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
34 CASH PAID TO SUPPLIERS AND EMPLOYEES		
Total expenditure	(133 780 702)	(109 328 504)
Adjustment for Non cash items	-	-
Bad Debts	6 516 855	-
Capital payments	28 605 425	-
Redemption paid	773 751	789 710
Interest paid	786 639	850 737
Leave Accrual	1 136 644	-
(Increase)/decrease in creditors	(2 549 929)	-
(Increase)/decrease in unspent conditional grants	4 243 228	(7 592 541)
(increase) / Decrease in Inventory	(104 197)	-
(Increase)/decrease in Sundry creditors	-	(15 285 033)
	<u>(94 372 286)</u>	<u>(130 565 631)</u>
35 CASH GENERATED BY OPERATIONS		
Reconciliation of net operating profit to cash generated in operations		
Net operating profit/(loss)	2 813 097	13 403 869
Adjusted for:		
Redemption	-	789 710
Non cash transactions		
Capital payments	28 605 425	-
Depreciation	-	-
Investment income	(731 756)	(1 854 344)
Dividends received	(433)	(14 625)
Bad Debts	6 516 855	-
Sale of assets	11 482	(847 187)
Leave Accrual	1 136 644	-
Interest on outstanding debtors	-	-
Interest paid	786 639	850 737
Redemption	773 751	-
Adjustments in respect of previous years' operating transactions	-	5 089 415
Changes in working capital:		
(Increase)/ Decrease in Inventory	(104 196)	-
(Increase)/decrease in other debtors	(21 028 295)	(13 652 637)
(Decrease)/Increase in conditional grants	4 243 228	(7 592 541)
(Increase)/decrease in creditors	(2 549 929)	(15 285 033)
(Increase)/decrease in Sundry Debtors	8 365 768	-
Increase/(Decrease) in Consumer deposits	101 069	-
	<u>28 939 349</u>	<u>(19 112 636)</u>
36 CASH AND CASH EQUIVALENTS		
Bank and cash	(3 544 480)	(4 681 677)
Investments	2 009 783	5 586 777
	<u>(1 534 697)</u>	<u>905 100</u>

37 GENERAL EXPENSES

General expenses include the following significant figures:

Advertising	197 540	182 772
Audit costs	2 703 922	2 075 453
Bank charges	214 463	194 151
Chemicals, Chloorgas	1 093 539	1 258 276
Electricity, Water and other services	724 877	1 215 429
Entertainment	262 946	363 865
Finance management Grant	2 750 000	660 776
Fuel	1 916 955	2 162 204
Insurance	357 416	846 803
Legal expenses	394 445	715 729
Operating leases	973 256	-
Postage	274 850	262 356
Printing & Stationery	425 046	509 693
Programs	99 581	970 910
Public consultation	310 124	393 044
Training	947 397	540 972
Travelling and Susistance	348 391	108 459
Transport and Tourism	-	244 106
Strategig planning	640 380	386 002
Skills development	302 893	287 149
Travelling Managers, Councilors	632 742	783 001
Auction Costs	184 821	-
Telephone	1 314 734	1 056 622
Other	22 932 543	25 651 387
	<u>40 002 861</u>	<u>40 869 159</u>

38 CORRECTIONS

With previous audits, difference were found between the ledger and the regeisters. This items were also part of the the classification of previous audit reports, and reported as legacy issues. The following corrections were done.

Cashbook	(1 893 332)
Consumer receivables	549 550
Other receivables	(1 598 642)

Accumulated surplus were debited with R2 942 424.00

MANTSOPA LOCAL MUNICIPALITY APPENDIX A ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2010

DETAILS	OPENING BALANCE	ADDITIONS	UNDER CONSTRUCTION	REVALUATIONS	CLOSING BALANCE	OPENING ACCUMULATED DEPRECIATION	DEPRECIATION	DISPOSAL	CLOSING BALANCE	CARRYING VALUE
LAND & BUILDINGS										
LAND	16 680 729	110 000	-	104 402 512	121 193 241	121 193 241	-	-	121 193 241	121 193 241
BUILDING	-	-	-	-	-	-	-	-	-	-
SUB-TOTAL	16 680 729	110 000	-	104 402 512	121 193 241	121 193 241	-	-	121 193 241	121 193 241
INFRASTRUCTURE										
DRAINS	-	-	-	-	-	-	-	-	-	-
ROADS	18 062 113	9 705 580	-	-	27 767 693	27 767 693	-	-	27 767 693	27 767 693
SEWERAGE MAINS & PURIFICATION	117 437 939	-	-	29	117 437 968	117 437 968	-	14 500	117 423 468	117 423 468
ELECTRICITY MAINS	7 008 816	-	-	-	7 008 816	7 008 816	-	-	7 008 816	7 008 816
RESERVOIRS-WATER	-	-	-	-	-	-	-	-	-	-
WATER METER	-	-	-	-	-	-	-	-	-	-
WATER MAINS	65 116 887	228 615	-	288	65 345 790	65 345 790	-	-	65 345 790	65 345 790
SUB-TOTAL	207 625 759	9 934 196	-	317	217 560 267	217 560 267	-	14 500	217 545 767	217 545 767
COMMUNITY ASSETS										
PARKS & GARDENS	1 808 806	-	-	-	1 808 806	1 808 806	-	-	1 808 806	1 808 806
LIBRARIES	-	-	-	-	-	-	-	-	-	-
RECREATION GROUNDS	-	-	-	-	-	-	-	-	-	-
CIVIC BUILDINGS	-	-	-	-	-	-	-	-	-	-
SUB-TOTAL	1 808 806	-	-	-	1 808 806	1 808 806	-	-	1 808 806	1 808 806
OTHER ASSETS										
LANDFILL SITES	-	-	-	-	-	-	-	-	-	-
OFFICE EQUIPMENT	-	-	-	-	-	-	-	-	-	-
FURNITURE & FITTINGS	19 619 213	239 643	-	2 348	19 861 204	19 861 204	-	-	19 861 204	19 861 204
MOTOR VEHICLES	11 585 832	797 156	-	13	12 383 001	12 383 001	-	2 011 958	10 371 043	10 371 043
COMPUTER EQUIPMENT	-	-	-	-	-	-	-	-	-	-
OTHER EQUIPMENT	10 879 536	154 135	-	26 898 951	37 932 621	37 932 621	-	167 674	37 764 947	37 764 947
SUB-TOTAL	42 084 581	1 190 933	-	26 901 312	70 176 826	70 176 826	-	2 179 632	67 997 194	67 997 194
GRAND TOTAL	268 199 870	11 235 129	-	131 304 141	410 739 140	410 739 140	-	2 194 132	408 545 008	408 545 008

MANTSOPA LOCAL MUNICIPALITY APPENDIX B SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2010

DETAILS	OPENING BALANCE	ADDITIONS	UNDER CONSTRUCTION	REVALUATION S	CLOSING BALANCE	OPENING BALANCE	Depreciation	DISPOSAL	CLOSING BALANCE	CARRYING VALUE
Executive & Council	17 207 925	0	0	98 459 124	115 667 049	115 667 049	0	0	115 667 049	115 667 049
Finance and Admin	1 826 476	437 395	0	858	2 264 729	2 264 729	0	240 940	2 023 789	2 023 789
Planinng & Development	7 788 411	193 912	0	81	7 982 404	7 982 404	0	0	7 982 404	7 982 404
Health	0	0	0	0	0	0	0	0	0	0
Community & Social Services	873 732	131	0	0	873 863	873 863	0	0	873 863	873 863
Housing	0	0	0	0	0	0	0	0	0	0
Fire Brigade	249 691	0	0	30	249 721	249 721	0	0	249 721	249 721
Traffic	267 361	106 503	0	-10 847	363 016	363 016	0	60 060	302 956	302 956
Properties	13 960 168	110 000	0	32 854 171	46 924 338	46 924 338	0	-40 000	46 964 338	46 964 338
Technical	7 242 033	3 348	0	401	7 245 782	7 245 782	0	889 099	6 356 683	6 356 683
Sports & Recreation	1 808 806	0	0	0	1 808 806	1 808 806	0	0	1 808 806	1 808 806
Environmental Protection	0	0	0	0	0	0	0	0	0	0
Waste Management	118 094 325	123 640	0	30	118 217 996	118 217 996	0	74 064	118 143 932	118 143 932
Wast Water Management	2 110 059	146 000	0	4	2 256 063	2 256 063	0	167 674	2 088 389	2 088 389
Road Transport	23 599 271	9 705 580	0		33 304 852	33 304 852	0	563 442	32 741 410	32 741 410
Water	65 872 244	228 615	0	288	66 101 147	66 101 147	0	189 309	65 911 838	65 911 838
Electricity	7 299 370	180 004	0	1	7 479 374	7 479 374	0	49 544	7 429 830	7 429 830
	268 199 871	11 235 129	0	131 304 141	410 739 140	410 739 140	0	2 194 132	408 545 008	408 545 008

MANTSOPA LOCAL MUNICIPALITY APPENDIX C SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
6 192 326	9 600 943	(3 408 617)	Executive and Council	6 962 735	11 028 474	(4 065 739)
33 344 471	22 557 089	10 787 382	Finance and Admin	38 467 287	20 628 579	17 838 709
2 002 593	2 399 259	(396 666)	Planning and Development	1 200 760	2 231 310	(1 030 550)
2 324 767	2 605 711	(280 944)	Community and Social Services	2 440 742	3 858 400	(1 417 657)
450	586 693	(586 243)	Housing	270	937 037	(936 767)
1 430 471	1 755 610	(325 139)	Public Safety	1 658 002	2 184 303	(526 301)
	2 014 669	(2 014 669)	Sport and Recreation	18	2 232 600	(2 232 582)
1 625 448	800 461	824 987	Environmental Protection	1 670 321	1 745 770	(75 449)
34 935 701	28 560 595	6 375 106	Waste Management	41 636 446	33 714 297	7 922 148
7 537 138	8 621 740	(1 084 602)	Road Transport	4 726 577	15 295 516	(10 568 939)
14 881 532	16 062 193	(1 180 661)	Electricity	22 531 933	24 234 994	(1 703 061)
23 546 893	18 852 959	4 693 934	Water	15 298 707	15 689 423	(390 715)
			Other			
127 821 790	114 417 922	13 403 868	Sub-total	136 593 798	133 780 702	2 813 097

MANTSOPA LOCAL MUNICIPALITY APPENDIX D(1) ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)
REVENUE				
Property rates	10 091 863	9 776 957	314 906	3.22%
Services charges	52 364 759	55 687 067	(3 322 308)	-5.97%
Investment Income	848 707	729 980	118 727	16.26%
Interest earned - external investments	731 756	1 000 000	(268 245)	-26.82%
Interest earned - outstanding debtors	8 658 935	4 599 447	4 059 488	88.26%
Dividends	433	-	433	0.00%
Fines	147 851	130 000	17 851	13.73%
Licenses and permits	2 716	1 000	1 716	171.60%
Government Grants and subsidies	44 550 377	49 356 179	(4 805 802)	-9.74%
Other income	18 077 186	21 763 591	(3 686 405)	-16.94%
Gains on disposal of Property ,plant & equipment	1 119 217	-	1 119 217	0.00%
Total Revenue	136 593 798	143 044 221	(6 450 423)	-4.51%
EXPENDITURE				
Employee related costs	39 701 111	39 012 652	688 459	1.76%
Remuneration of Councillors	3 638 457	3 597 017	41 440	1.15%
Bad debts	6 516 855	5 341 855	1 175 000	22.00%
Bad debts written off	11 482	-	-	0.00%
Depreciation	-	-	-	0.00%
Repairs and maintenance	8 653 701	9 903 265	(1 249 564)	-12.62%
Interest paid	786 639	40 000	746 639	1866.60%
Operating Lease	973 256	-	973 256	0.00%
Bulk purchases	14 228 130	15 182 000	(953 870)	-6.28%
Indigent Support	18 131 565	18 033 184	98 381	0.55%
General expenses	40 002 861	51 900 821	(11 897 960)	-22.92%
Leave Accrual	1 136 644	-	1 136 644	0.00%
Total Expenditure	133 780 702	143 010 794	(9 241 574)	-6.5%
NET SURPLUS/(DEFICIT) FOR THE YEAR	2 813 097	33 427	2 791 152	

MANTSOPA LOCAL MUNICIPALITY APPENDIX D(2) ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

DEPARTMENT	2009/10 Actual	2009/10 Under Construction	2009/10 Total Additions	2009/10 Budget	2009/10 Variance Amount	2009/10 Variance %
Executive & Council	-	-	-	15 000	(15 000)	-100.00%
Finance & Admin	437 395	-	437 395	174 631	262 764	150.47%
Planning & Development	56 054	-	56 054	100 000	(43 946)	-43.95%
Health	190 000	-	190 000	-	190 000	0.00%
Property	110 000	-	110 000	100 000	10 000	10.00%
Community & Social Services	-	-	-	-	-	0.00%
Housing	-	-	-	12 000	(12 000)	-100.00%
Public Safety	-	-	-	90 000	(90 000)	-100.00%
Sport & Recreation	-	-	-	-	-	0.00%
Environmental Protection	-	-	-	-	-	0.00%
Waste Management	14 026 362	-	14 026 362	16 221 519	(2 195 157)	-13.53%
Waste Water Management	146 000	-	146 000	2 800 000	(2 654 000)	-94.79%
Road Transport	9 705 580	-	9 705 580	5 120 000	4 585 580	89.56%
Water	3 653 974	-	3 653 974	4 594 822	(940 848)	-20.48%
Electricity	179 990	-	179 990	260 000	(80 010)	-30.77%
TOTAL	28 505 355	-	28 505 355	29 487 972	(982 617)	-3.33%

[illegible]

MANTSOPA LOCAL MUNICIPALITY APPENDIX F SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2010

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 01/07/09	Received during the period	Redeemed written off during the period	Adjustments	Balance at 30/06/10
			R	R	R	R	R
Development Bank of South Africa							
Water		2013	1 560 646	-	(167 243)	(49 082)	1 344 321
Water	LALF15125	2013	22 975	-	(4 588)	-	18 387
Water	LALF15125	2017	286 480	-	(19 432)	-	267 048
Water	1/00216-15241	2010	96 684	-	(27 099)	-	69 585
Electricity		2016	1 941 730	-	(326 767)	-	1 614 963
Roads		2016	832 914	-	(140 169)	-	692 745
Roads		2017	339 931	-	(57 206)	-	282 725
Properties		2010	9 877	-	(9 877)	-	-
ABSA (Inka, Sanlam)							
Properties	100048/52	2 014	171 026	-	(21 371)	-	149 655
Total long-term loans			5 262 263	-	(773 751)	(49 082)	4 439 430